
ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017



FAIRTRADE
FOUNDATION

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Cotton farmer harvesting cotton, Malawi

MESSAGE FROM THE CHAIR



Michael Jary,
Chair, Fairtrade Foundation Board

2017 saw a continuing challenging food and drink market: the uncertainty over Brexit, the weakening pound and price inflation meant that grocery volumes were flat and retailers' margins remained under pressure. In this environment, the need for producers to hold more power in their supply chains is stronger than ever.

I am pleased to say that Fairtrade's consumers, supporters and campaigners rose to the challenge. We saw public support for Fairtrade soar. In a world where many brands and institutions are seeing a crisis of declining trust, more people trust Fairtrade than ever before. Awareness of our mark is at an all-time high. More than half of British people say they care about treating people in supply chains fairly.

Thanks to this support we have been successful in increasing the volume of commodities sourced on Fairtrade terms. So many of our commercial partners are extending their commitment to Fairtrade. For example, Co-op became the first retailer to sell 100 percent Fairtrade roses sourced from Africa, and also the first to sell and use only Fairtrade cocoa in all their products. 100 percent of Waitrose tea now carries the FAIRTRADE Mark. Ben & Jerry's used Fairtrade cocoa from Côte d'Ivoire for their first ever Fairtrade-certified non-dairy ice creams launched across Europe.

Both Aldi and Lidl have agreed with us to increase the use of Fairtrade cocoa in their confectionery lines. Divine Chocolate, which is committed to 100 percent Fairtrade certification, announced its highest-ever sales levels.

Overall, independent data from Kantar Worldpanel shows that UK retail sales of Fairtrade grew seven percent in 2017. These figures just show one part of Fairtrade and do not include out-of-home sales, where Greggs, for example, has Fairtrade coffee, tea, sugar and bananas, and is now adding Fairtrade green tea and peppermint tea.

Our partners have also deepened their commitment to Fairtrade's principles, and are working with us in more expansive and impactful ways. We have extended our programmatic work, collaborating with cocoa farmers in Ghana, women community leaders in Côte d'Ivoire, banana workers in the Dominican Republic, and gold miners in Uganda, from where we sourced the first African Fairtrade Gold.

And we commenced our global partnership between Fairtrade and the Cocoa Life programme, as a result of which five times as much Cadbury chocolate will now be made with sustainably sourced cocoa.

At the same time, some products disengaged from Fairtrade, and we are rising to the challenges this brings.

Overall we have been able to deliver more of the core benefits of Fairtrade – minimum prices and premium – back to farmers.

We have continued to shape opinion and policy. Following two well-supported petitions calling upon the UK government to protect the terms of trade for developing countries doing business with the UK after Brexit, the government announced its intention to bring forward such protection, drawing on the Fairtrade Foundation as a case study in fair business.

We launched our new creative platform 'Don't Feed Exploitation', to highlight that awareness of Fairtrade is not enough to win the war against unfair trade. This distinctive new tone running through our communications demonstrates to shoppers the need to continue to use their purchasing power and their voices as advocates to work towards a world where trade is fair and does not exploit the weak.

As I complete my time as Chair this year, handing over the reins to Lord Mark Price in September, I leave a Foundation in robust good health. We enter 2018 on a sound financial footing and steps have been taken to find efficiencies as we seek to pass even more of the value of Fairtrade onto our producers. With a public mandate which is stronger than it has ever been, growing sales and the infectious energy of a committed and colourful grassroots movement, I feel confident that this unique coalition of the willing is bringing deep change to the lives of the producers we are privileged to partner with. I'm honoured to have been part of that.

VISION, MISSION, OBJECTIVES AND ACTIVITIES

OUR VISION

Fairtrade's vision is a world in which all producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future.

OUR MISSION

Our mission is to connect disadvantaged producers and consumers, promote fairer trading conditions and empower producers to combat poverty, strengthen their position and take more control over their lives.



Labelling Fairtrade bananas, Quinta Pasadena co-operative, Dominican Republic

OBJECTIVES AND ACTIVITIES

We live in a world where too many farmers and their families are still going hungry, paid too little to afford healthcare or education for their children. We live in a world where workers toil in dangerous conditions, and exploitation is still rife. There are big issues like climate change to tackle. Our objectives are to fight poverty by changing trade, and to highlight the issues affecting farmers and workers across the world who work hard yet still struggle to survive. We elevate the voices of farmers, speaking truth to power. By choosing Fairtrade, shoppers, supporters, businesses, schools and campaigning groups have created change through their everyday actions. They have supported farming communities to feed their families, and fund ambulances, maternity clinics and health centres. Remote, marginalised communities now have infrastructure that didn't exist before – schools, electricity and clean water.

To achieve our objectives, our activities include:

- **Offering businesses and consumers a number of ways of engaging with Fairtrade.** This includes licensing and auditing the use of the iconic FAIRTRADE Mark, and Fairtrade Sourcing Programs – certification schemes that both follow the Fairtrade Standards. Meanwhile, our programmes and partnerships with businesses support and offer expertise to companies and hold them to account so they can play a greater role in transforming trade for the better.
- **Using research to raise awareness of the challenges facing poor communities around the world.** Sharing the evidence of what works to address the root causes of poverty and injustice in trade means we can mobilise community groups, politicians and businesses in the UK to redouble our efforts towards a fairer and more sustainable world.
- **Working as part of an international movement.** We are a member of Fairtrade International, which oversees, develops and regulates the international standards of certification that underpin Fairtrade and include the Fairtrade Minimum Price and Fairtrade Premium.



Cotton farmers and medical staff at Mafele Maternal Health Clinic, Mali

ACHIEVEMENTS AND PERFORMANCE

Here's what we said we'd do in 2017,
our key successes and how they
help us achieve our strategy.



OUR 2016-2020 STRATEGY

CHANGING TRADE, CHANGING LIVES: FAIRTRADE CAN, I CAN

FOCUS ON IMPACT



By 2020, we will have increased the volume of bananas, coffee, cocoa, tea and flowers sold on Fairtrade terms.

We will have increased the number of farmers and workers who benefit from programmatic work on climate change, gender, productivity and hired labour.

MAKE FAIRTRADE PERSONAL



By 2020, we will have a brand that sparks an even greater emotional connection with citizens, consumers and supporters.

We will have built and strengthened alliances and coalitions with policymakers and the media to influence change, amplifying the voices of farmers and workers.

IMPROVE AND INNOVATE



By 2020, we will have evolved from a single approach of certifying products to a portfolio of services.

We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.

STRENGTHEN OUR ORGANISATION



By 2020, we will have played a lead role internationally in becoming a simpler, more flexible, cost-effective movement.

Strengthening our networks at origin is of equal importance. Farmers and workers already own half the system – by 2020, they will have even more say in how Fairtrade is run.

FOCUS ON IMPACT



By 2020, we will have increased the volume of bananas, coffee, cocoa, tea and flowers sold on Fairtrade terms.

We will have increased the number of farmers and workers who benefit from programmatic work on climate change, gender, productivity and hired labour.

WHAT WE SAID WE'D DO IN 2017

- Protect and grow volume sales of our key products – tea, coffee, cocoa, flowers and bananas – and drive growth in the smaller, newer categories of wine, cotton and gold to generate Fairtrade Premium and impact for producers.
- Increase the number of commercial partners engaging with Fairtrade in new ways, including sourcing commitments, programme investment, supply chain services and partnerships.
- Develop and implement our new programmes, policy and partnerships strategy to deliver more investment and impact for farmers and workers.
- Build relationships with government and Parliament to drive shifts in public policy and business behaviour that support the enabling environment for Fairtrade, and make trade fairer.



Workers in the grading hall of Athi River flower farm, Kenya

We are running an extensive data systems project upgrade and therefore do not have finalised volume or premium figures for 2017 at the time of writing this report. These will be included as usual in 2018.

OUR KEY SUCCESSES

Sales growth

UK consumer support for Fairtrade continues to grow. Independent sales figures show the UK market grew by seven percent in 2017.



IN 2017 SALES OF UK FAIRTRADE PRODUCTS GREW BY **7%**

Protecting and growing volume in tea

Waitrose announced it would be extending its commitment to Fairtrade by making 100 percent of its own-label tea Fairtrade certified by October 2017.



OUR KEY SUCCESSSES

This means all 46 Waitrose tea products will be Fairtrade, clearly demonstrating to customers Waitrose's commitment to ensuring the tea farmers they work with are benefiting from decent working conditions, a stable minimum price for their tea and the Fairtrade Premium to invest where they need it most.

The Co-op built a new community resource centre in Kenya to support Fairtrade tea farmers. Working with tea co-operative Fintea, which Co-op helped to create several years ago, they enabled farmers to meet the needs identified by the Fintea communities. The centre will provide communities with training, counselling, a library and access to the internet. The facility will offer 50,000 people across the Fintea tea-growing community access to educational, recreational, cultural, health and lifelong learning opportunities.

▶▶ Learning and improving

During 2018 we will produce a new strategy for Assam which will set out how Fairtrade will drive improvements in wages, and working and living conditions. As part of this we will begin our multi-year programme in Assam, working directly with plantation workers and management to improve productivity as well as worker livelihoods.



Protecting and growing volume in coffee

We worked with key retailers, brands and intermediaries to maintain and drive Fairtrade coffee sales in 2017. Waitrose, Co-op, M&S, Gregg's, Starbucks, Matthew Algie and Fine Foods International have all generated new business.

▶▶ Learning and improving

The Women in Coffee programme in Kericho and Nandi counties, Kenya is a pilot initiative supported by Fairtrade which, for the last three years, has sought to improve women's economic empowerment. The programme has overseen the transfer of coffee bush ownership from men to their female partners as well as gender-sensitive training for quantity and quality improvement. Fairtrade has also worked to support women and men farmers to improve their agricultural practices. Household biogas units have been introduced to reduce reliance on firewood and the time burden placed on women. This work has been complemented by market development activities for certified women's coffee in the Kenyan market. Every coffee bush became a business and made the programme very successful, creating opportunities for the women's families and communities. The resulting coffee is called Zawadi. It means 'gift' – as in it is a gift to women. The coffee is a superior, specialty coffee. Following successful harvests in 2017 plans were made to launch the coffee on the East African market in 2018.



Elizabeth Chepkwony harvesting coffee, Kenya

A research study on Fairtrade coffee farmers' income in 2017 aimed to find out if smallholder coffee farmers are able to earn decent wages. This assessment took place in seven producer countries: Indonesia, Kenya, India, Vietnam, Rwanda, Uganda and Tanzania. The data shows that across these countries, farmers' income, coffee production and dependency on coffee to support livelihoods varies greatly. For instance, farmers in Indonesia rely heavily on income from coffee production whereas farmers in Kenya rely mainly on other sources of income. On average about 50 percent of farmer household income comes from coffee production. The other large contributors are income from other farm goods and off-farm wage income. The research has recommended Fairtrade to consider regional strategies and/or tailor-made pathways to improve income and the recommendation has been picked up at Fairtrade International.

OUR KEY SUCCESSES

Protecting and growing volume in cocoa

Co-op began sourcing cocoa as a Fairtrade Sourced Ingredient for all its own-brand products in May 2017. Ben & Jerry's has a longstanding commitment to sourcing Fairtrade cocoa from Côte d'Ivoire and in 2017, used it in their first ever Fairtrade certified non-dairy ice creams launched across Europe. Our partnership with Mondelez's Cocoa Life scheme was rolled out to all Cadbury Dairy Milk products.



Cocoa farmer Alphonisine N'Guetia featured in Ben & Jerry's communications

▶ Why it matters

Strengthening producer organisations in West Africa continues to be a major focus, and also building on core support through the West Africa Cocoa Partnership, through in-depth training on topics such as governance, financial management and child labour with 40 co-operatives in West Africa which are suppliers to our key commercial partners.

The price of cocoa fell by 30 percent and too many cocoa farmers are still living in abject poverty, making our Living Income Strategy even more relevant. This strategy involves a Fairtrade Minimum Price and Premium review, with market and origin stakeholders consulted.

▶▶ Learning and improving

Compass Group and the Co-operative Group co-funded a Women's Leadership School in Côte d'Ivoire. With this training, women are supported to participate and voluntarily take up leadership roles in farmer organisations and their community. In doing so, they can take control, manage resources and gain power over their lives with an enhanced ability to make decisions and act on them.



Oti Manu, cocoa farmer harvesting cocoa, Kasapin co-operative in Ghana

PRODUCER STORY – TRAORÈ AWA BATIBA



Traorè Awa Batiba has used what she has learnt at the Women's School of Leadership in Côte D'Ivoire to challenge the preconceptions held by many of the men in her co-operative.

THE FARMERS, THE PRODUCERS, THEY WERE HAPPY TO TALK ABOUT WOMEN, AND TO SPEAK ABOUT WOMEN'S DEVELOPMENT, TO SPEAK ABOUT THE EMPOWERMENT OF WOMEN.

WE MADE THEM UNDERSTAND THAT WOMEN COULD DO ANYTHING LIKE MEN AND THAT THEY WERE IMPORTANT FOR THE QUALITY OF THE COCOA. THE MEN WERE HAPPY BECAUSE SOME OF THEM DIDN'T KNOW.

The programme, set up in partnership with Compass Group UK & Ireland and the Co-op, supports female farmers to generate more income through smarter farming, and give them the confidence and skills to set up businesses and be leaders in the Fairtrade certified cocoa co-operatives that they are part of and in their local communities.



OUR KEY SUCCESSES

Protecting and growing volume in bananas

Retailers Sainsbury's, Waitrose and the Co-op continue their commitment to sell 100 percent Fairtrade bananas. Discounters Lidl and Aldi continue to see double digit growth in their Fairtrade banana sales.



Why it matters

One of the biggest challenges affecting the price of bananas is the 'race to the bottom' between retailers to offer the lowest possible price to customers. These price wars reduce the value of bananas in the eyes of consumers and put pressure on the entire supply chain to keep banana prices low.

The resulting crush for banana producers – combined with increasing costs of production and fluctuating supply and demand – means the Fairtrade Minimum Price is vital.

This is why Fairtrade reviews the Fairtrade Minimum Price for bananas every year to ensure the best possible price for farmers. The latest review was finished in 2017, and published in September 2017. Additionally, consultation on the Fairtrade Standard for fresh fruit was launched in 2017.

Since 2016 Fairtrade has also been committed to ensuring that wage improvements in bananas will be linked to the amount of business conducted on Fairtrade terms and that all workers will enjoy these wage benefits by 2020.

Protecting and growing volume in flowers

In 2017 the new Fairtrade Standard for Cut Flowers & Plants was launched and became the first ever product standard to enforce requirements on a floor for wages. Other obligations were strengthened, including additional requirements on prevention of sexual harassment and improving gender equality.

In 2017 we extended the Fairtrade Sourced Ingredients programme to flowers (among other commodities) enabling more new business opportunities for flowers to open up.

Learning and improving

Fairtrade has recognised the need for strengthening of product specific standard requirements in order to further tackle the most common challenges in the cut flower industry.

We carried out scoping work into the East African Flower Enhancement Concept Program which aims to develop a range of programmes focussing on tackling systemic risks in the cut flower sector.

Protecting and growing volume

Sugar

Despite the change in EU sugar policy, effected in 2017, which has seen the cap lifted on the production of sugar beet and the forthcoming UK sugar tax, Fairtrade sugar sales have not decreased significantly in 2017, thanks to retailers such as Co-op's continued 100 percent commitment, continued commitments from confectionery brands and strong support from UK sugar traders, such as Tate & Lyle Sugars.



Kasinthula sugar farmer working on the irrigation system

Why it matters

Sugar farmers and co-operatives anticipate the need to diversify their income sources as markets in Europe become harder to access. Support programmes from Fairtrade will focus on income diversification as well as farming efficiencies, dealing with climate insecurity and water scarcity and building strong farmer organisations. Fairtrade International is also building partnerships with Bonsucro and the Roundtable on Sustainable Biofuels to create further opportunities for sugar farmers.

Learning and improving

Producer support in 2017 included projects in Africa, Latin America and the Caribbean on income diversification, building strong organisations and good agricultural practices. Producers in Swaziland have reported increased yields through investments in irrigation. Child protection programmes have been run in Latin America and the sugar network met in Paraguay to share experiences and learning.

OUR KEY SUCCESSES

Gold

In 2017 we pioneered an investment-led approach for working with small-scale gold miners. We launched the Investment Facility to jewellers, investors and media. This fund will help small-scale mine sites across East Africa access low interest loans to invest in the productivity of their operations and to accelerate their journey towards Fairtrade certification. The fund offers a new way for mine sites to benefit from partnering with Fairtrade, as well as providing businesses and investors with a new route for supporting the development of a responsible small-scale mining sector. In 2017 two pilot investments were actioned, with this number set to increase sharply in 2018.

At the launch event in London, attracting 150 delegates, we also unveiled the world's first Fairtrade certified gold from Africa. Among the remaining cluster of around 70 gold licensees in the UK, sales remained consistent.

Fairtrade opened a one-off photography exhibition by award-winning Magnum photographer Ian Berry at the Goldsmiths' Centre. The Mine to Maker exhibition gives a glimpse of the reality faced by some mining communities in Busia, Uganda, and their journey with Fairtrade to improve their lives.



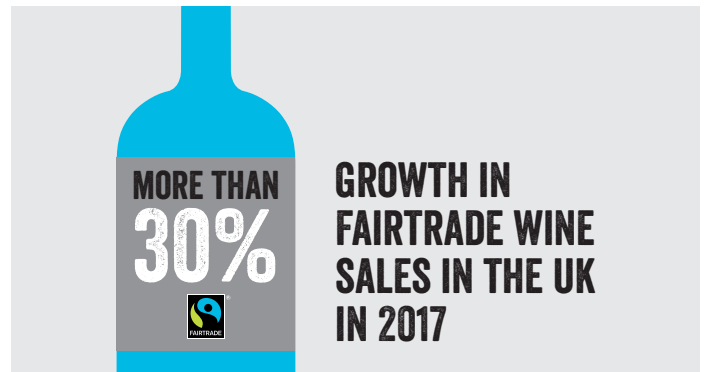
Top row, images of Fairtrade gold mining in Uganda taken by Ian Berry

▶▶ Learning and improving

Fairtrade retains significant pulling power among external stakeholders and influencers with a high profile event an excellent route to increasing awareness of and interest in our new investment-led approach to gold.

Wine

Fairtrade wine sales in the UK grew by more than 30 percent in 2017, according to independent data from Kantar Worldpanel, thanks in part to the continued commitment of Co-op, who launched the UK's first Fairtrade wine from Lebanon in 2017. There was also good growth across all the major retailers, including the launch of five new Tesco Finest Fairtrade wines. 2017 also saw an increase in sales in higher quality wines which is helping to change consumer perceptions.



▶▶ Learning and improving

There is continued consumer and trade interest in Fairtrade wine which we need to capitalise on to increase awareness and sales.

Cotton

In what continues to be a challenging market, Fairtrade cotton volume sales have stabilised over the last two years. In addition, we are receiving a lot of interest from UK and global businesses in the mass balance model. The Fairtrade Sourcing Ingredient model is designed for scale and is appealing to medium and large-sized businesses. In 2016, Fairtrade introduced the Fairtrade Textile Standard and in 2017, NUS (the National Union of Students) partnered with Fairtrade to improve the conditions of factory workers. Fairtrade collaborated with other cotton standards through the global initiative of the Prince of Wales' International Sustainable Unit (ISU). In May 2017, at an event hosted by HRH The Prince of Wales and his ISU, 13 of the world's largest textile retailers and brands came together to commit to using 100 percent sustainable cotton by 2025.



▶▶ Learning and improving

With funding from Traid, Fairtrade started a three-year non-GM seed breeding project in India as producers had identified access to non-GM seeds as a priority. An experienced agronomist is helping to train farmers to develop the necessary skills. In the years to come we intend to share what we learn, including with neighbouring producer organisations. We are also keen to ensure our activities align with OFCS (Organic and Fairtrade Cotton Secretariat) which is helping with similar issues and working with the universities and government of Madhya Pradesh in India.

COMMERCIAL PARTNERS

We increased the number of commercial partners engaged with Fairtrade in new ways, including sourcing commitments, programme investment, supply chain services and partnerships.

FLOCERT

FLOCERT launched their innovative online platform Fairtrace which offers licensees greater transparency in their supply chain. The system allows for the verification of volume and financial flows as well as communication between companies and individuals at every stage of supply chains. It also enables direct collaboration by giving business partners the possibility to work together on reporting and confirming transactions.

Fairtrade is well placed to play an influential role as a partner to businesses looking to tackle human rights abuses and modern slavery risks in their supply chains. We undertook a DFID-funded project to increase transparency and undertake supply chain mapping. We are completing the pilot stage and have exciting plans to launch in 2018.

Mondelez

Fairtrade is now a partner of the Cocoa Life programme. This evolved relationship is starting in Ghana and aims to help farmers deal with the effects of climate change, strengthen their co-operative unions and build stronger cocoa-growing communities. Fairtrade will ensure Cadbury is an accountable partner for farmers and will continue to be involved with Cocoa Life.



Beatrice Boakye, cocoa farmer Asunafo North, Ghana

We know from our consultation with Fairtrade producers that climate change is one of the biggest challenges facing cocoa farmers in Ghana. We have consulted the farming unions to design a programme which will help them to adapt to the short and long term risks that climate changes poses.

Fairtrade is also committed to finding new and innovative ways of improving the livelihoods and resilience of cocoa farmers. Our partnership with Cocoa Life is ambitious and forward-looking and in 2018 we will take a comprehensive look at the current landscape and what needs to be done to improve resilience. As well as the climate change programme, during 2017 we worked with Mondelez to create a research proposal looking at resilient livelihoods.

Together we laid the groundworks for this exciting partnership and new way of working for Fairtrade and we look forward to starting this in 2018.

Waitrose

Waitrose strengthened their commitment to Fairtrade during the course of 2017. 100 percent of Waitrose own-label tea is now Fairtrade certified.

The retailer currently stocks 250 Fairtrade-certified products. 100 percent of its own-label speciality sugars are certified Fairtrade, along with the majority of its own-label block chocolate. Furthermore Waitrose is moving towards making all of its block chocolate and ground coffee Fairtrade.



The Waitrose Foundation and Fairtrade Foundation will continue to share best practice and experiences. We are helping to develop global toolkits and frameworks to strengthen the impact of the Waitrose Foundation as it grows. In addition, Fairtrade and Waitrose are exploring collaboration that goes beyond Fairtrade sourcing, including further investing in producers supplying Waitrose bananas from the Dominican Republic, driving increased impact for workers by focusing on key issues such as wages, productivity and worker voice.

Sainsbury's Fairly Traded Tea pilot

The Fairtrade Foundation decided not to become a partner in the Sainsbury's Foundation pilot in tea.

We have been working with Sainsbury's for more than a decade and we are proud of what we have achieved together for some of the world's poorest and most marginalised farmers. Sainsbury's remains the largest retailer of Fairtrade products with a wide range of Fairtrade products available in their stores. Fairtrade continues to engage with Sainsbury's to ensure the best possible outcomes for producers.

DEVELOPING AND IMPLEMENTING

Developing our Programmatic Strategy with partners

During 2017 the team invested in internal programme capacity and developed a number of programme offers for commercial and donor partners in the tea, cocoa, and banana sectors covering thematic areas such as living income and living wage, worker rights, and productivity. We actively engaged commercial and donor partners to become involved in these exciting new initiatives and it is likely that these will come to fruition in 2018. Additional bespoke programme activity was developed in key commercial account supply chains in cocoa, sugar, coffee and almonds to mention a few. Increasing programme investment and supporting the capacity of partner institutions in the development and implementation of programme activity will be a focus area of 2018.



Meeting of cocoa producers from Co-operative ECOJAD, Cote d'Ivoire

Jersey Overseas Aid Commission

With a grant from Jersey Overseas Aid Commission, Fairtrade has teamed up with a commercial partner, Matthew Algie, to work with a coffee co-operative in Bolivia on improving productivity and increasing resilience through coffee cultivar improvements and pest/disease control.



This project is an example of the type of programmatic work that Fairtrade is seeking to support – we will learn from it to replicate elsewhere and it will deliver immediate benefits to farmers.

Comic Relief

During 2017 we saw positive strides in Fairtrade's gold mine and market level work, thanks to support from Comic Relief. On the mine side, activities continue with gold mining sites in Uganda, Kenya and Tanzania where Fairtrade is working to accelerate improvements in mine performance by opening up access to finance, technical support and markets. As part of this, in 2017, we launched the Investment Facility to over 150 jewellers, investors and media. 2017 also saw the sale of the first Fairtrade certified gold from Africa to reach the UK market.



Through the Comic Relief project we have been able to raise additional donor funding for work in Uganda (Dutch government) and in Kenya (European Partnership for Responsible Minerals), bringing the total number of mine sites reached to over 20. In 2018 we expect to exceed 30 mine sites, through additional donor funding.

Finally, through Comic Relief funding, we have been able to raise our profile at industry events, including the OECD Forum in Paris, to publicise our new Investment Facility for mine support, enabled by Comic Relief.

PRODUCER STORY – WABWIRE SIMON

Wabwire Simon is Chairman of the SAMA co-operative in Uganda, the first ever African gold mine to become Fairtrade certified. The certification was hard-won for Wabwire and his colleagues, but the improvements in health and safety and mining practice have been transformational. In just four years, the formerly illegal miners are now formally registered with the local government and are able to teach others how to mine safely.

“IT WAS LIKE A DREAM TO BE CERTIFIED – WE WORKED HARD. IT WAS UNBELIEVABLE WHEN WE HEARD.”

As a result of certification SAMA will be able to sell their gold into 14 Fairtrade global markets for a better price plus a Fairtrade Premium which they will be able to invest in community development projects.

“I HOPE OUR MONEY WILL DOUBLE WHEN WE GET THE FAIRTRADE PRICE WHICH WILL MEAN I CAN SEND MY CHILDREN TO BETTER SCHOOLS.”

“WE EARN AROUND 100,000 UGANDAN SHILLINGS PER MONTH. UNDER FAIRTRADE WE HOPE TO GET 200,000 UGANDAN SHILLINGS PER MONTH.”

Between now and 2020 Fairtrade will be working with partners to grow the volume of certified Fairtrade gold reaching the UK market from mine sites in Uganda, Tanzania and Kenya.



ENGAGING AND INFLUENCING POLITICIANS AND GOVERNMENT

The Fairtrade All-Party Parliamentary Group (APPG) went from strength to strength and the 2017 Fairtrade Fortnight parliamentary event was attended by a good number of MPs and by then DFID Minister Rory Stewart MP who spoke alongside Fairtrade producers, businesses and school campaigners. Following the 2017 General Election, the Fairtrade All Party Parliamentary Group (APPG) reconstituted with new Conservative co-chair Will Quince MP joining Labour co-chair Holly Lynch MP.



Tracy Brabin MP, Melanie Onn MP and Holly Lynch MP, with Tanzanian coffee farmer Leonard Kachebonaho at the Fairtrade Fortnight parliamentary event

challenges and opportunities of Brexit, through the lens of Fairtrade case studies. In particular, we wanted to encourage the UK government to protect existing market access for the Least Developed Countries (LDCs) and other developing countries post-Brexit. We were delighted that the government responded to our advocacy and campaigning, announcing in June 2017 its intention to safeguard market access, including through the replication of the EU 'Everything But Arms' scheme, granting duty-free and quota-free access to LDCs. Fairtrade was widely referenced by the government at the time of making these commitments, and we are satisfied that our efforts made a significant contribution to bringing about this change.

We subsequently responded to the government's Trade White Paper consultation and produced briefings for parliamentarians on key pieces of legislation – the Trade Bill and the Taxation (Cross-Border Trade) Bill. We continue to call for existing market access to be guaranteed, for an enhanced future UK preference scheme, a commitment to undertake impact assessments on new trade deals and for trade democracy.

Market regulation

We aimed to encourage changes to UK regulation to bring about fairer and more sustainable behaviour by retailers and supply chain companies. As part of this we released a report with the New Economics Foundation on the social cost benefit to the UK consumer of sustainability collaborations. The analysis showed that long term consumer cost and choice benefits are likely to come from collaborations, and argued for government policy to make such collaborations easier.

We also joined other charities in lobbying for the extension of the Groceries Code Adjudicator's role to give greater protection to producers in developing countries, presenting evidence from Fairtrade supply chains to Ministers and officials.

Fairtrade and Brexit

In 2017, the Fairtrade Foundation published *Brexit: Let's Change Trade for Good*, a report which set out some of the

BREXIT: LET'S CHANGE TRADE FOR GOOD

A Fairtrade Foundation and Traidcraft report
March 2017

AN UNCERTAIN FUTURE

The Prime Minister has said she will trigger Article 50 by the end of March 2017 and start the formal process of the UK's withdrawal from the EU. This historic decision will lead to significant change for people in the UK and the way we trade with Europe and the rest of the world. But for millions of people from the poorest countries who currently depend on trade with the UK, it could be make or break.

In this report, new analysis from the Fairtrade Foundation and Traidcraft outlines the vulnerable position of producers in 110 developing countries currently trading with the UK. It also highlights the possible impact on their lives if their interests are not considered in the UK's new trade policy. All of these countries currently receive some form of preferential access to the UK market under EU rules. With insights from farmers, workers and their representatives in some of the countries likely to be hit hardest, this paper outlines the risks facing their communities and our recommendations urging the UK government to ensure they are treated fairly.

Theresa May's 'great global trading nation' vision for Britain must not come at the expense of poorer countries. In the pursuit of Free Trade Agreements with other developed or growing economies such as Australia, Canada, China, Singapore and the USA, the government must be wary of unintended, negative consequences for the world's poorest and economically vulnerable countries. It must take steps to ensure they do not lose out due to unfair competition with wealthier nations.

£34BN
Imports from developing countries

47%
of imports could face additional tariffs

£1BN
potential additional import losses

THESE DEVELOPING COUNTRIES ARE JUST SIX OF THE 110 CURRENTLY TRADING WITH THE UK, WHO COULD BE SUBJECT TO AT LEAST £1BN IN EXTRA TAXES

Country	Total imports	Estimated additional import losses
Dominican Republic	£2.5M	£1.5M
Malawi	£2.5M	£1.8M
Swaziland	£2.5M	£1.4M
Tanzania	£2.5M	£2.5M
Kenya	£274.5M	£24.5M
Bangladesh	£1.3M	£95.5M

Brexit: Let's change trade for good

A GLOBAL PICTURE: THE SUSTAINABLE DEVELOPMENT GOALS AT THE HEART OF BRITAIN'S TRADE POLICY

In September 2015, 193 world leaders agreed to 17 Sustainable Development Goals (SDGs) which aim to end extreme poverty and inequality, and tackle the threats of climate change by 2030. The UK took a leading role in securing this landmark agreement and now has a responsibility, alongside the international community, in meeting these goals. The SDGs include important targets for helping countries address poverty in their trade and export relationships. The UK government has long championed the benefits of trade as part of building better living standards worldwide. Different government departments need to work together to make sure that trade and business policies support and do not undermine the UK's promises to the world's poorest people.

WHAT THE SDGs SAY ABOUT TRADE¹

- 2 ZERO HUNGER**
 - Double the incomes of small-scale food producers
- 8 DECENT WORK AND ECONOMIC GROWTH**
 - Full and productive employment and decent work for all
 - Increase Aid for Trade for the least developed countries
- 17 PARTNERSHIPS FOR THE GOALS**
 - Double the least developed countries' share of global exports
 - Duty-free, quota-free access on a lasting basis for all least developed countries
 - Simple rules of origin which help market access
 - Enhance policy coherence for sustainable development

BREXIT: LET'S CHANGE TRADE FOR GOOD

BREXIT: LET'S CHANGE TRADE FOR GOOD



Break time for students at 4th April School, Changuinola, Panama

The past year has been critical for learning, with two main studies that we commissioned and were directly carried out by independent research institutions. Fairtrade International commissioned to the Overseas Development Institute (ODI) 'The impact of Fairtrade: a review of research evidence 2009-2015' (Darko, E., Lynch, A. & Smith, W. 2017). The International Initiative for Impact Evaluation (3IE) commissioned 'Effects of certification schemes for agricultural production on socio-economic outcomes in low and middle-income countries: a systematic review' (Oya, C., Schaefer, F., Skalidou, D, McCosker, C & Langer, L. 2017)

- A combined analysis of them identifies where Fairtrade has a positive impact on small producers' and workers' lives:
- Fairtrade and other schemes have a positive influence on incomes from sales and prices
- Fairtrade Minimum Price works well as a safety net when market prices are low
- Fairtrade enables managerial and organisational strengthening of producer groups

- Fairtrade Premium generates positive impact with wide-ranging investments in producers' and workers' communities
- Fairtrade labour standards make a positive impact on work conditions in plantations, with a positive spill-over effect on non-Fairtrade plantations



Banana workers, Quinta Pasadena co-operative, Dominican Republic

RESEARCH IN 2017

Fairtrade is committed to a continuous cycle of learning and improvement and there are areas where we know we can focus to increase our impact:

- The impact of Fairtrade is less when market prices are above the Fairtrade Minimum Price and benefits from higher prices are more visible for farmers when correlated to the amount they sell on Fairtrade terms
- While Fairtrade seems to generally result in women farmers' voices being heard within formal governance structures, more needs to be done to ensure this results in long term economic empowerment and equity of treatment for women farmers and workers
- Fairtrade and other rural certification schemes do not consistently result in better performance of certified farmers with respect to non-certified counterparts
- For Fairtrade and other certifiers, wages for workers employed by certified producers are still lower, on average, with respect to those of workers employed by non-certified farms

These findings helped us to identify the research gaps we need to fill to study the impact of Fairtrade:

- The evidence of Fairtrade and other certification schemes having an impact on producers' welfare and household income is mixed and needs additional extrapolation
- The evidence is mixed on the impact that Fairtrade and other certifiers are having on socioeconomic outcomes such as households' schooling levels and health outcomes

▶▶ From learning to action

We are committed to learning from the latest research and that to come.

Based on the findings from these studies, we will support the Fairtrade system to review and improve the way certification works. For example, making sure that workers' wages in certified production are considered during standard reviews.



We recognise that certain challenges in supply chains identified by the researchers – such as gender inequality – require context-specific interventions. We are collaborating with our regional Producer Networks, institutional and commercial partners to find ways to achieve scalable sustainable impact, and address these issues within supply chains in an evidence-based fashion.



Cocoa workers union meeting, Ghana

Finally, as part of the international Fairtrade system we are committed to promoting reliable and open-access research and evaluation. As a learning organisation we will continue to invest in robust monitoring, evaluation and learning systems to assess the quality and sustainable effectiveness of our work and adapt our approach accordingly.



MAKE FAIRTRADE PERSONAL



By 2020, we will have a brand that sparks an even greater emotional connection with citizens, consumers and supporters.

We will have built and strengthened alliances and coalitions with policymakers and the media to influence change, amplifying the voices of farmers and workers.

WHAT WE SAID WE'D DO IN 2017

- Embed the 'Don't Feed Exploitation, Choose Fairtrade' brand narrative with key audiences.
- Position Fairtrade and our partners as part of the solution to challenges farmers and workers face through partner marketing.
- Engage our supporter base on our Brexit campaign.
- Grow our digital and supporter engagement.
- Develop and launch our public fundraising offer.

OUR KEY SUCCESSES

Embedding Don't Feed Exploitation

During 2017 we worked to embed the 'Don't Feed Exploitation' creative platform in every aspect of our work.

At the London Coffee Festival we brought a 'Shot of Reality' with coffee producer Bijumon Kurian, inviting attendees to experience the life of a coffee farmer via an immersive audio experience.

We brought the importance of Fairtrade to life with our tea campaign. Our social media content was much more personal and provocative, bringing to life the problems in supply chains as well as Fairtrade being a solution.

Our consumer metrics were stronger than ever at the end of 2017 showing 92 percent of people were aware of Fairtrade and 83 percent trusted Fairtrade. In addition, nearly a quarter of people say they actively choose Fairtrade when they shop.

TEA **OPPORTUNITEA**

School can open up endless possibilities... Sadly, when wages are low it can mean the whole family is expected to be out in the fields rather than learning. Education, books and bursaries are some of the most popular areas chosen by tea farmers and workers to invest the Fairtrade Premium. Not all tea is created equal.

DON'T FEED EXPLOITATION. CHOOSE FAIRTRADE.



92%

AWARENESS OF FAIRTRADE

83%

OF CONSUMERS TRUST FAIRTRADE

OUR KEY SUCCESSES

Securing shifts in policy through our Brexit campaign

We continued to campaign, working closely with other organisations, for post-Brexit trade policies that work for farmers and workers in developing countries.

A petition to Liam Fox at the Department for International Trade asking him to act quickly to reassure farmers and workers in developing countries that they won't lose out in our post-Brexit trade arrangements attracted 38,000 signatures and was handed in at the end of April 2017. A second petition asking for a democratic and transparent process for negotiating and signing trade deals attracted almost 20,000 signatures. Both petitions were accompanied by more than 5,000 emails from Fairtrade supporters covering 99 percent of MPs, asking them to raise the issues with the Trade Minister and in parliamentary debate.



Handing in the petition at the Department for International Trade

Growing digital and supporter engagement

We increased our social media presence during the course of 2017 with the number of followers growing from 291,000 to 312,000. Our Don't Feed Exploitation video, produced for Fairtrade Fortnight 2017, attracted more than 1 million views. 11,000 people started to follow us on social media during Fairtrade Fortnight 2017.



We worked with dedicated Fair Trade Organisations to raise awareness of and engagement in the global World Fairtrade Challenge campaign for World Fair Trade Day in May.



We created an innovative new Christmas Advent campaign, which raised awareness of Fairtrade products as gifts, adding value for licensees, and attracting 3,000 new supporters. We expect to repeat this campaign annually.

Delivering our individual giving offer

We tested our new fundraising strategy with an emergency appeal to support Fairtrade farmers affected by Hurricane Matthew in Haiti. We planned to launch our first ever general Fairtrade appeal during Fairtrade Fortnight 2018, aimed at growing the individual donor base and unrestricted income from supporters, involving systems and process upgrades throughout 2017 in preparation.

Donations help us to run projects that bring Fairtrade to more farmers and workers, and deliver projects that enable farmers to tackle other threats to their livelihoods such as climate change and devastating crop diseases.

OUR KEY SUCCESSSES

Fairtrade Fortnight 2017

During Fairtrade Fortnight 2017 new research showed that nearly a quarter (23 percent) never think about who produces their food and drink, and we therefore focused the annual two week campaign on encouraging members of the public to 'Put Fairtrade in their break.'

The campaign was a huge success, with extensive regional and national media coverage, a petition on Brexit which gave the Foundation its fastest ever response to an online ask, and a film focused on launching 'Don't Feed Exploitation, Choose Fairtrade' which had over a million views. There were also activations in store through Greggs, Waitrose and Co-op, plus campaigner events up and down the country with three Fairtrade farmers on tour throughout the UK.



Coffee farmer Esther Koskey interviewed by Catmose College students

Positioning Fairtrade and our partners as part of the solution

We had really strong commercial partner engagement in 2017. This was the case across the out-of-home channel, with an incredibly strong execution from Greggs in 1,800 stores as well as an outdoor campaign as a key highlight. On World Fair Trade Day we told the story of how some of the most committed Fairtrade businesses can be part of the solution to the challenges facing farmers and workers and how buying their products is a positive choice consumers can make.



Our tea campaign featured the variety, positive impact and wide availability of Fairtrade tea and showcased important partners like Clipper, Marks and Spencer's, Co-op and Waitrose. This certainly positioned Fairtrade and commercial partners as the solution to the challenges farmers and workers face. Another highlight was our Advent calendar.

► Learning and outcomes

We learned that tailoring activities works very well for both customers and consumers. We learned that Christmas is a time of year when our supporters are interested to hear about new Fairtrade products and brands and how they make a positive impact and that our partners benefit from showcasing their work with Fairtrade.

Our active choice – that is the percentage of people who tell us they actively choose a Fairtrade product over a non-Fairtrade one, grew from 13 percent to 23 percent in 2017. This demonstrates that our joint efforts with our commercial partners resonate strongly with shoppers at that a crucial moment of choice and it is positively influencing their behaviour.



IMPROVE AND INNOVATE



By 2020, we will have evolved from a single approach of certifying products to a portfolio of services.

We will increase the number of companies we work with that contribute to sustainable development in ways that really matter to farmers and workers, and which are accountable and transparent.

WHAT WE SAID WE'D DO IN 2017

- Develop and evolve our Offer to Business with the evolution of Fairtrade Sourcing Programs and new partnerships, programmes and services.
- Agree and start implementing a new brand architecture as part of the global system. To support this, we will embed a clear narrative with supporters, consumers and stakeholders as to why the Fairtrade Foundation needs to grow and diversify with a portfolio of offerings and sub-brands.
- Improve the effectiveness and efficiency of our business services, such as developing and agreeing a new partnership model, developing new contract and fee structures and simplifying our business engagement processes.



Developing our offer to business

OUR KEY SUCCESSES

Improve the effectiveness and efficiency of our business services

We extended Fairtrade Sourcing Programs from cocoa, sugar and cotton to all commodities (except coffee and bananas). We also renamed the scheme 'Fairtrade Sourced Ingredients' to better reflect that it is a Fairtrade sourcing option enabling businesses to focus on sourcing large volumes of one of its ingredients on Fairtrade terms.



Agreeing and implementing our new brand architecture

As we started to change the ways we work with businesses it became important to ensure the correct branding was in place for our new services. As a result, we launched a global brand architecture project to produce a globally aligned branding solution for our entire portfolio. The new brand architecture was ratified by the Fairtrade International Board in December 2017, following intensive consultation with members and consumer research. New guidelines are being developed with a launch planned for 2018.

OUR KEY SUCCESSES

Simplifying our business engagement process

We made it smoother for businesses to engage with us by bringing the Business Engagement team into the Commercial directorate. The move brought our licensing and approvals work more in line with commercial, product and account strategies.



BUSINESS ENGAGEMENT PROCESS

Developing a more efficient, tailored solution for small gold licensees

Business Engagement officers have taken a leading role in developing our new Goldsmiths solution, enabling small gold companies to work with Fairtrade without the cost and complexity that comes with licensing and certification.



Ketiara Coffee Gayo processing plant, Sumatra

STRENGTHEN OUR ORGANISATION



By 2020, we will have played a lead role internationally in becoming a simpler, more flexible, cost-effective movement.

Strengthening our networks at origin is of equal importance. Farmers and workers already own half of the system – by 2020, they will have even more say in how Fairtrade is run.

TRANSITIONING CERTIFICATION ACTIVITIES TO FLOCERT

We are transferring all our certification activities to FLOCERT during 2018. FLOCERT, a subsidiary of the Fairtrade international system, is Fairtrade's global certification and verification body. The transition began in November 2017 after a successful pilot earlier in the year.

Transitioning the Fairtrade Foundation certification to FLOCERT enables the Fairtrade system to deliver:

- Additional services to our licensees
- One access point to every touch point of the supply chain – from producer to trader
- A global perspective and insight on the entire Fairtrade system and associated verification schemes
- Harmonised global data management systems
- A globally consistent and transparent certification system



OUR KEY SUCCESSSES

Utilising our office space better and moving in 2018

Work began in 2017 to source a new office space for the Foundation to move in July 2018. The new space will deliver financial and space savings as well as allow us to become more effective and efficient in how the Foundation operates.

Improving our Customer Relationship Management (CRM) system

A replacement CRM project went well during 2017, providing an improved view of supporter activity and engagement. This project involved consolidating data sources into a single database, along with integrating our online shop. It is starting to deliver improved management information and supporter communication.



Getting ready for the General Data Protection Regulation – 2018

We have been updating and enhancing data protection policies and procedures in preparation for the new Data Protection Regulation (GDPR) in 2018. This has involved reviewing how we interact with data to ensure that we respect the rights of individuals with regard to consent, subject access and the right to be forgotten.

PLANS FOR 2018 AND BEYOND

2018 will be the third year of our strategy and plans will continue to deliver impact around our four goals.



Protect and grow volume sales of our key products – tea, coffee, cocoa, flowers and bananas – and drive growth in the smaller, newer categories of wine, cotton and gold to generate Fairtrade Premium and impact in our supply chains.

Continue to engage commercial partners in working with Fairtrade in new ways, focusing on protecting and growing Fairtrade Sourcing Ingredients (FSI) business through an improved model. Focus our policy work on Brexit, Modern Slavery and market regulation to support the enabling environment for Fairtrade, and make trade fairer.



- Embed further the Don't Feed Exploitation, Choose Fairtrade messaging
- Launch and embed our public fundraising offer
- Deliver Fairtrade Fortnight and its theme of 'Come on In'
- Reaffirm Fairtrade as a thought leader
- Deliver a programme of public engagement work as part of a Europe-wide consortium, branded 'Trade Fair, Live Fair'



- Relaunch our offer to business, including a commercial conference in October 2018
- Focus on protecting and growing FSI business through an improved model.
- Deliver the Mondelez Partnership
- Continue scoping, developing and delivering our programmatic approach



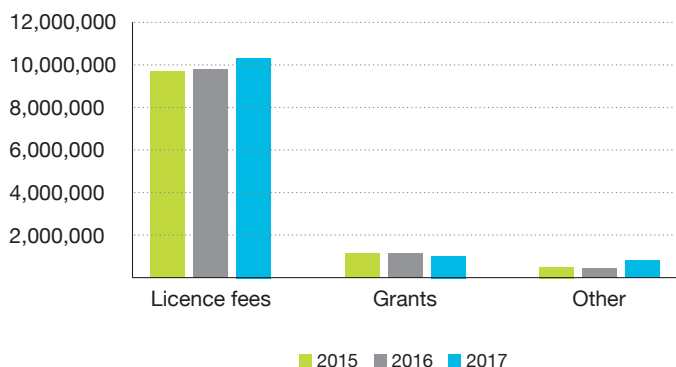
- Move to new premises in July 2018
- Influence global governance improvements
- Deliver GDPR
- Improve business systems and processes

FINANCIAL REVIEW



FINANCIAL PERFORMANCE

Trend in income



Total incoming resources in 2017 increased by 5 percent to £12.4 million from £11.8 million. The rise was largely due to increases in licence fee income and programmes funded by commercial partners such as Mondelez, offset by the loss of Department for International Development PPA funding. Licence fees continue to represent the majority of total income (2017: 84 percent, 2016: 83 percent). Licence fee income increased to £10.4 million (2016: £9.8 million). Fundraised income from grants and donations decreased by 32 percent to £1.1 million from £1.6 million. This reflects the loss of the DFID PPA funding of £750,000 offset by the first year of a European Commission grant (£286,000) plus the receipt of a smaller DFID grant of £150,000. Further information about these other grants is given in Note 17. Our longer term strategy is to reduce our reliance on licence fees and to this end we are exploring new ways of working with businesses and other stakeholders, including Mondelez.

Total expenditure decreased by 4 percent to £11.6 million from £12.1 million. This comprised:

- An additional £0.8 million spent on 'Focus on Impact', reflecting our strategy of moving more funds to the South through increased fees to our producer networks, new fundraised income for impact work on the ground and shifting the focus of Fairtrade system-wide projects towards the South.
- A reduction of £0.3 million on 'Improve and Innovate' where we consciously took a decision to have work done by existing staff where possible to reduce costs
- A reduction of £1.0 million on 'Make Fairtrade Personal' as 2016 included significant costs for brand positioning work and a Guardian Sustainable Business hub which were not replicated in 2017 plus we took a decision to reduce costs by pulling back on public engagement activity and scaling back expenditure on Fairtrade Fortnight.

Of the total expenditure, charitable expenditure represented 96 percent and the cost of raising funds was 4 percent (2016: 97 percent, 3 percent). The increase in the cost of raising funds reflects the strategy noted above of starting to reduce our reliance on licence fees by diversifying our sources of income. It should be noted that the impact of Fairtrade is not just the direct charitable expenditure. Lives of producers are significantly improved by access to guaranteed Fairtrade minimum prices and premium.

Total funds increased by 21 percent to £4.6 million from £3.8 million. Restricted funds increased to £756,000 from £339,000. Unrestricted funds increased by 11 percent to £3.9 million from £3.5 million.

Trustees and management conduct quarterly reviews of financial trends and the assumptions used in forecasting financial performance for at least the next 12 months. They consider that the charity remains a going concern. An organisational development review was completed in 2017. There is ongoing work to improve the efficiency and effectiveness of the organisation.

INVESTMENT POLICY

The Memorandum and Articles of Association allow the Fairtrade Foundation to invest funds not immediately required as the Trustees think fit. Due to the low level of cash reserves, the Foundation has only invested in on-call cash accounts. However, the Board has an investment policy that allows cash to be invested in short-term cash deposits of up to six months. All investments are subject to financial and ethical criteria.

RESERVES POLICY

The Trustees review the reserves policy each year as part of the overall risk management of the Foundation. The target level of reserves is reviewed as part of the planning and statutory reporting cycles. Reserves are needed for working capital and to cover temporary shortfalls in income and unforeseen increases in expenditure so that the charity can continue to operate at all times. The target set for the end of 2017 was £2.5 million, equivalent to 12 weeks' unrestricted expenditure. Free reserves, excluding fixed assets, were £3.7 million and were therefore above the minimum reserves level. Cash is also a limiting factor. The majority of income is from licence fees which are invoiced in arrears. Therefore cash balances are not always correlated with reserves. Cash balances, excluding cash held as agent, increased in the year to £2.7 million from £1.3 million of which £422,000 was restricted funds. The additional cash held as agent of £293,000 (2016: £277,000) was held on behalf of the Fairtrade movement and is not owned by the Foundation. Cash flow forecasts are prepared regularly and future cash needs are taken into account when setting reserves targets and budgets.

The Trustees have reviewed the reserves policy as at 31 December 2017. Under the policy, the target reserves level is based on whichever is higher of the following: a risk based calculation of £2.45 million (2016: £2.1 million), based on the financial implications and likelihood of significant risks, or 12 weeks of unrestricted expenditure; £2.4 million (2016: £2.5 million).

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

The Trustees undertake a regular review of risks and opportunities facing the Fairtrade Foundation. It is an integral part of the Senior Leadership Team's management responsibilities. The Trustees believe that through this process a wide range of risks have been identified, quantified and, where appropriate, action taken on a continuing basis to manage those risks. The Trustees have reviewed the risks and consider the strategies for mitigating the risks to be appropriate. One method of combating risks and uncertainties is through financial forecasting and scenario planning, and holding appropriate levels of reserves and cash, giving time to respond to situations as they arise.

PRINCIPAL RISKS

Income diversification – we face increasing challenges and pressure on our licensee fee income, which remains our predominant income stream. To minimise this we are focusing resource on exploring new ways of working with businesses and other stakeholders, relaunching our offer to business in 2018, extending our fundraising work, and continuing to work in new and innovative ways with our commercial partners to create more impact for producers.

The UK economy and grocery market – the continued pressure on retailers to reduce prices threatens sales of Fairtrade products while retailers are examining ways to reduce costs. This presents a risk to producers and workers that the market for their products will reduce and a risk for the Foundation that income will fall. This is mitigated by maintaining close relationships with retailers and licensees and by continually demonstrating the commercial value to their businesses – in addition to the benefit of Fairtrade to producers and workers. We continue to maintain and increase the awareness of the value of Fairtrade with the public. Brexit presents risks and opportunities for Fairtrade and there will be continued uncertainty for the foreseeable future. Fairtrade is campaigning to protect producers and workers from the risks arising out of Brexit. Sainsbury's announced in May 2017 that they were launching 'Fairly Traded' tea. We are working to minimise the impact on producers and confusion for consumers.

Governance and structure – the Fairtrade movement is made up of a number of organisations across the world, representing different needs and perspectives. This leads to a richness and depth of knowledge; for example, giving producer organisations a voice to lead the future of Fairtrade. It also naturally increases the risk that changes become difficult to make or decision-making too complicated. However, this is mitigated through various cross-movement groups, including representatives of the movement's organisations.

Reputation – Fairtrade is a relatively new and bold approach to tackling poverty and therefore there are rightly regular investigations into its effectiveness. Fairtrade will continue to prioritise investment in Monitoring, Evaluation and Learning work to ensure that Fairtrade is able to make accurate claims of success, learns from experience, is open and constructive when challenges are brought to light, and continues improving to maximise impact for producers and workers. We also now have a supply chain risk management process in place which enables us to monitor risks in supply chains more proactively, working closely with our producer networks. In 2017 work was begun internationally to address how we position Fairtrade in the market and leverage the fact that Fairtrade is the most recognised ethical scheme in the UK.

STRUCTURE, GOVERNANCE AND MANAGEMENT



THE ORGANISATION OF THE CHARITY

The Fairtrade Foundation is a company limited by guarantee and a charity registered in England and Wales. It is governed by its Memorandum and Articles of Association as adopted on 2 July 1992 and subsequently amended in January 1994, May 2003, July 2006, June 2007, October 2012 and January 2017. The organisation was founded in 1992 by CAFOD, Christian Aid, Oxfam, Traidcraft Exchange and the World Development Movement. The National Federation of Women's Institutes joined shortly afterwards. These organisations are known collectively as the Founder Members. In 2003, membership was opened up to enable other organisations to participate in the governance of the Foundation and to share their expertise and experience. Organisations applying for membership are expected to have either a strong development or consumer focus, and to contribute to the promotion of Fairtrade. A full list of member organisations is given on page 55.

TRUSTEE APPOINTMENT AND INDUCTION

The Board can comprise up to 12 Trustees who are appointed by the process determined by the Articles of Association. Up to two positions are available for election by the full membership and a further four positions available by appointment from the full membership. Two co-opted places are allocated to producer representatives and a further four places are co-opted by the Board. Formal elections take place at the annual general meeting where one third of the elected Board stand down by rotation. Elected Board members have the power to co-opt further Trustees so long as the total number of Trustees does not exceed 12. All Trustees are elected or co-opted for a three-year term with those co-opted subject to a six-month initial probationary period. Trustees can serve for up to six years before they are required to stand down. After a period of one year, Trustees become eligible for re-appointment again. Trustees review the existing skills and identify key skill gaps as part of drawing up the specification for co-opting potential Trustees. The Foundation advertises externally to attract a full range of candidates.

All new Trustees receive an induction pack which contains information on the history of the organisation, governance and operational structures, minutes of trustee meetings for the previous year, relevant budgets and accounts, and Charity Commission publications on trustee responsibilities. In addition, Trustees are invited to staff induction days and a wide range of events, for example during Fairtrade Fortnight and other promotional events, licensee meetings and stakeholder events. Should the appropriate opportunity arise, Trustees may visit producer groups to see first-hand the impact of Fairtrade. The Board conducts an annual review of its performance including a survey of Trustees and independent sub-committee members. This helps Trustees identify and assess the areas of governance that perform well and where improvements may be needed, and to review and consider the skills mix of the board and sub-committees.

TRUSTEE MEETINGS AND BOARD SUB-COMMITTEES

The Board meets at least four times a year and has overall responsibility for the policy and strategic management of the Foundation. The main tasks of the Board are:

- Setting and maintaining the Foundation's vision, mission and values and in particular agreeing and approving the strategic plan.
- Ensuring strong links with the member organisations and the Fairtrade movement.
- Contributing creatively to the development of the Foundation, including fostering relationships with major licensees.
- Developing the Foundation's policies on trade justice and other means of poverty reduction related to the Foundation's core activity.
- Agreeing and monitoring major policies and programmes.
- Supporting and appraising the Chief Executive, and approving staffing and remuneration policies
- Approving annual plans and budgets and reviewing reports and management accounts to ensure that the Foundation's performance is in line with its policies and programmes.
- Ensuring that it is identifying and managing any risks appropriately. The Board has five sub-committees: the Finance and Audit Committee, Certification and Assurance Oversight Committee, Nominations Committee, Partnerships Committee and Remuneration Committee.

The Finance and Audit Committee consists of between three and five Trustees and one external advisor and meets a minimum of four times a year.

Duties include the following:

- Considering strategic issues, including planning and risk.
- Reviewing drafts of financial policies, budgets and annual accounts
- Reviewing the management accounts and statutory accounts.
- Monitoring the development, implementation and compliance of IT and Finance strategy and policies
- Monitoring and advising on internal financial controls.

NB These functions and activities do not absolve the full Board of Trustees of its legal responsibilities.

The Certification and Assurance Oversight Committee is composed of one Trustee of the Board as a minimum, with the remaining members drawn from stakeholders in the Fairtrade sector with no one interest dominating. The Committee meets at least four times a year to:

- Safeguard the impartiality of the Foundation's certification system and demonstrate its independence from any commercial or special interest.

- Review and check the work and decisions taken by the operational certification team.
- Submit comments and recommendations to the Board relating to the policy framework in which they operate.

The Nominations Committee consists of the Chair of the Board, and at least two further Trustees of the Board, who are approved by the Board. Its key responsibility is to manage the appointment of Trustees and members to the Board and its constituent committees respectively.

The Remuneration Committee consists of four Board members and has overall responsibility to set remuneration, with associated terms and conditions of employment for all staff of the organisation, including directors.

The Partnerships Committee consists of four Board members plus two external advisory members and advises the management on any partnership opportunities the Foundation has under consideration.

Minutes of all Committee meetings are reported to the subsequent full Board meeting so that all Trustees are informed of significant issues discussed at a sub-committee level.

OPERATIONAL MANAGEMENT

A scheme of delegation is in place which devolves day-to-day operational management of the Foundation to the Chief Executive, who is supported by a senior management team consisting of a Chief Financial Officer, Commercial Director, Director of Public Engagement and Director of Impact.

REMUNERATION

The Fairtrade Foundation is a unionised organisation and we recognise the Union for collective bargaining. The charity negotiates annually with the Union on salary and remuneration terms and conditions. The suggested pay award is ratified by the Remuneration Committee. The Foundation uses the Croner Job Evaluation system for benchmarking to set grades and associated pay scales for all posts, which includes all directors' posts. We aspire to pay at least median market rate for all grades, and these are benchmarked against similar size and type of organisations, comparing both sector and financial turnover. We ensure that our highest salary is no more than five times the lowest salary.

Some technical specialists can command a market premium. A market premium is only considered if there has been recruitment and/or retention difficulties and benchmark data from Croner confirms the need for a market premium. The decision to pay a market premium is approved by the Remuneration Committee.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the report of the Trustees, the strategic report and the financial statements in accordance with applicable law and regulations. Company law requires the Trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its net incoming/outgoing resources for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FUNDRAISING

We comply with all relevant statutory regulations and we strive for best practice in fundraising by complying with a range of codes of practice and standards including being a member of the Institute of Fundraising, registering with the Fundraising Regulator and adhering to its Code of Fundraising Practice. We do not engage with any professional fundraisers to fundraise on our behalf. We closely monitor the quality of our fundraising work and received no complaints during 2017.

Our fundraising approaches have until now been limited – mainly focused on donations from existing supporters, schools and volunteer groups. In 2018 we will be rolling out an individual giving programme which we are working to ensure remains compliant and consistent with the relevant policies and guidelines. We are also in the process of working with an external compliance agency and specific compliance consultants to ensure that we have an unbiased and public-facing approach in how we respect people's privacy and their preferences. Part of this includes safeguards to preclude us requesting or receiving donations from vulnerable people.

PUBLIC BENEFIT

The Trustees confirm that they have complied with their duty in Section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales. The Trustees further confirm that the activities of the Fairtrade Foundation are carried out, in line with its objectives, for the public benefit as described in this report.

CHARITY GOVERNANCE CODE

The Fairtrade Foundation takes its governance responsibilities seriously and aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017 the new Charity Code of Governance was launched, with a recommendation that charities review their level of application and to explain any aspects of the code they were not applying. The seven principles set out in the code are:

- **Organisational purpose** (The board is clear about the charity's aims and ensures these are being delivered effectively and sustainably.)
- **Leadership** (Every charity is headed by an effective board that provides strategic leadership in line with the charity's aims and values.)
- **Integrity** (The board acts with integrity, adopting values and creating a culture which helps achieve the organisation's charitable purposes. The board is aware of the importance of the public's confidence and trust in charities, and trustees undertake their duties accordingly.)
- **Decision making, risk and control** (The board makes sure that its decision-making processes are informed, rigorous and timely, and that effective delegation, control and risk-assessment, and management systems are set up and monitored.)
- **Board effectiveness** (The board works as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.)
- **Diversity** (The board's approach to diversity supports its effectiveness, leadership and decision making.)
- **Openness and accountability** (The board leads the organisation in being transparent and accountable. The charity is open in its work, unless there is good reason for it not to be.)

We are materially compliant with the code and there are no significant issues or areas where we do not comply. Examples of compliance with the seven principles and recommended practice are set out within this Trustee Report.

STATEMENT AS TO DISCLOSURE TO AUDITORS

So far as each Trustee is aware, there is no relevant audit information of which the company's auditors are unaware, and each Trustee has taken all the necessary steps as a company director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are also aware of that information.

DIVERSITY

The Fairtrade Foundation is proud to be a Living Wage employer and an equal opportunities employer committed to attracting and appointing a diverse workforce and aims to have a workforce that is representative of all sections of society. We're focusing on improving all aspects of the People Agenda including Diversity and Inclusion. We aim to continue to improve diversity reporting and monitoring and taking action as a result. We promote mentoring for aspiring female leaders through the Aspire Foundation. 60 percent of our most senior leadership are female.

ACKNOWLEDGEMENTS

The success of Fairtrade is due to the commitment and dedication of all the stakeholders in the Foundation's work – the producers, consumers, licensees and retail partners, the grassroots campaigners and supporters, staff and volunteers. We particularly thank our volunteers and celebrities for the time they freely give to promote Fairtrade to the general public. Campaigners provide invaluable support to the Foundation. They run events to promote knowledge of the FAIRTRADE Mark. Fairtrade Fortnight and other events also depend heavily on the input of many volunteers. A total of 52 volunteers helped in the Fairtrade office at some time during the year, and provided 4,649 hours to the organisation.

TRUSTEE CHANGES

Arun Ambatipudi stood down as a Trustee since the last report. During 2017, Bob Doherty was appointed to the Board.

This report, including the strategic report, was approved by the Trustees of the Fairtrade Foundation on 20 June 2018, in their capacity as company directors, and signed on its behalf by



Michael Jary,
Chair of Trustees.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FAIRTRADE FOUNDATION



OPINION

We have audited the financial statements of the Fairtrade Foundation for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

IN OUR OPINION THE FINANCIAL STATEMENTS:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the Trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

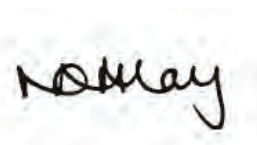
In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

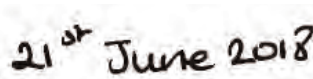
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Nicola May
Senior Statutory Auditor

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London, EC4Y 8EH



Fairtrade Foundation
Statement of Financial Activities for the year ended 31 December 2017
(including the Income and Expenditure Account)

	Notes	2017 Unrestricted £000	2017 Restricted £000	2017 Total £000	2016 Total £000
Income					
Donations and legacies	2	87	27	114	117
Grants	4	-	1,005	1,005	1,515
Investment income		-	-	-	2
Charitable activities					
Licence fees		10,387	-	10,387	9,764
Sale of awareness-raising items		24	-	24	30
Other	5	415	416	831	327
Total income		10,913	1,448	12,361	11,755
Expenditure					
Raising funds	6	447	-	447	390
Charitable activities					
Focus on Impact		4,123	667	4,790	4,020
Improve and Innovate for partners and producers		3,107	202	3,309	3,618
Make Fairtrade Personal		2,845	162	3,007	4,043
Total charitable activities		10,075	1,031	11,106	11,681
Total expenditure		10,522	1,031	11,553	12,071
Net income/(expenditure), being net movement in funds	9	391	417	808	(316)
Reconciliation of funds:					
Fund balances brought forward		3,498	339	3,837	4,153
Fund balances carried forward	17	3,889	756	4,645	3,837

The breakdown of 2016 figures between restricted and unrestricted funds is shown in Note 19.

There were no recognised gains or losses for 2017 or 2016 other than those included in the Statement of Financial Activities. All activities are continuing. The Notes on pages 39 to 53 form part of these Financial Statements.

Fairtrade Foundation
Balance Sheet as at 31 December 2017

Notes	2017	2016
	£000	£000
Fixed assets		
Intangible assets	11 210	352
Tangible assets	12 3	8
Current assets		
Stock	12	24
Debtors and accrued income	13 5,440	3,895
Cash at bank and in hand	2,660	1,270
Cash at bank – held as agent	293	277
Total current assets	8,405	5,466
Liabilities		
Creditors: amounts falling due within one year	14 (3,589)	(1,847)
Net current assets	4,816	3,619
Total assets less current liabilities		
Creditors: amounts falling due after one year	14 -	(27)
Provision for liabilities and charges	15 (384)	(115)
Net assets	4,645	3,837
The funds of the charity:		
Unrestricted funds	3,889	3,498
Restricted funds	756	339
Total funds	4,645	3,837

The financial statements, including the balance sheet, were approved and authorised for issue by the Board of Trustees on 20 June 2018, and were signed below on its behalf by

Michael Jary
 Chair of the Board
 20 June 2018

Fairtrade Foundation
Statement of cash flows for the year to 31 December 2017

Notes	2017	2016
	£000	£000
Cash flows from operating activities		
Net cash provided by operating activities	20 1,442	(445)
Cash flows from investing activities		
Purchase of property, plant and equipment	(36)	(182)
Change in cash and cash equivalents in the year	1,406	(627)
Cash and cash equivalents at 1 January	20 1,547	2,174
Cash and cash equivalents at 31 December	20 2,953	1,547

Fairtrade Foundation

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies

1.1 Company information

The Fairtrade Foundation is a Public Benefit Entity registered as a charity in England and Wales and a company limited by guarantee. It was incorporated on 21 July 1992 (company number: 2733136) and registered as a charity on 3 February 1995 (charity number: 1043886).

1.2 Basis of preparation of accounts

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – effective 1 January 2015.

The functional currency of the Fairtrade Foundation is considered to be GBP because that is the currency of the primary economic environment in which the Foundation operates.

After reviewing the Foundation's forecasts and projections, the Trustees have a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. The Foundation therefore continues to adopt the going concern basis in preparing its financial statements. There are no material uncertainties about the charity's ability to continue.

In the application of these accounting policies, Trustees are required to make judgment, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

1.3 Fund accounting

Restricted funds arise from grants and donations given to the Fairtrade Foundation for specific areas and activities of the Foundation's work in furthering its objectives. The aim and use of each material restricted fund is set out in Note 17.

Unrestricted funds include the general funds of the Foundation and arise from surpluses of income over expenditure which may be used at the discretion of the Trustees in accordance with the objectives of the charity.

Designated funds comprised unrestricted funds that had been set aside by the Trustees for particular purposes. The balance on designated funds as at 31 December 2015 was transferred into unrestricted funds on 1 January 2016 and the Foundation does not currently hold any designated funds.

1.4 Incoming resources

All incoming resources are included in the statement of financial activities when the charity is legally entitled to the income, receipt is probable and the income can be measured with sufficient reliability.

The Foundation receives **licence fees** from companies marketing products carrying the Foundation's FAIRTRADE Mark which means producers and businesses have met internationally agreed standards which have been independently certified. The fees cover the costs of monitoring and verification to ensure compliance with Fairtrade Standards and contribute to the costs of public education and awareness raising work. Fees are either calculated as a percentage of the products' wholesale value or based on the volume of the Fairtrade commodity sold, and are largely invoiced quarterly in arrears. Monitoring and auditing of most UK licensees in 2017 was undertaken directly by the Foundation, while producer and trader certification is the responsibility of FLOCERT. From 1 January 2018, monitoring and auditing of UK licensees will be undertaken by FLOCERT.

Income from the **sale of awareness-raising items** is included when received or when invoiced, whichever is the earlier. To help promote Fairtrade, the Foundation sells a range of merchandise to supporters. All display the FAIRTRADE Mark prominently and help promote the Fairtrade message at supporter events around the country. As their sale contributes directly to the promotion of the Fairtrade message it is judged that the activity qualifies as primary purpose trading. These promotional items are sold on to supporters to cover the costs of production, processing and a contribution to overheads. The activity is seen not so much as a device to raise funds but rather to raise profile and awareness while covering costs. For this reason the cost of these items is included in the statement of financial activities as part of charitable expenditure to promote public awareness.

Donations are recognised on a receivable basis, where there are no performance-related conditions, where the receipt is probable and the amount can be reliably measured.

Donated services are included as 'other income' at their estimated value to the charity when received, and under the appropriate expenditure heading depending on the nature of the service provided, at the same value and time.

1.5 Resources expended

All expenditure is included on an accruals basis. All costs have been attributed to one of the categories of resources expended in the Statement of Financial Activities and include a proportion of the support costs as detailed in Note 6. Support costs have been apportioned based on the number of staff engaged in each activity and all other costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

Governance costs are included within support costs. They include costs attributable to the governance of the charity and those relating to compliance with constitutional and statutory requirements. The costs associated with the additional support provided to Fairtrade International towards developing and improving governance across the Fairtrade movement also included in this category of expenditure.

Raising funds includes all costs incurred in raising funds from, and reporting back to, government, the European Commission, charitable trusts and foundations, and individual donors.

Costs of charitable activities include all costs incurred in seeking to achieve the charity's charitable purposes.

Focus on impact includes the cost of establishing and supporting supply chains, and support provided directly to producer groups and their regional networks.

Improve and innovate includes the monitoring and audit of supply chains of products which are licensed to carry the FAIRTRADE Mark, both in the UK and internationally, establishing and maintaining licence agreements and relationships with companies producing and distributing Fairtrade products, and the cost of exploring new markets and ways of working in order to deepen our impact for producers

Make Fairtrade Personal includes the activities funded to promote knowledge and awareness of the FAIRTRADE Mark and the need for Fairtrade in the interests of disadvantaged producers. It aims to deepen the emotional commitment to Fairtrade, and to our mission of fighting poverty through trade.

1.6 Intangible fixed assets

Intangible fixed assets represent software costs capitalised in accordance with FRS102. These are stated at historical cost and amortised on a straight line basis over the period for which revenue is expected to be generated (typically 4 years).

Amortisation is recognised in the statement of financial activities as part of expenditure and is allocated across the expenditure headings on the same basis as support costs.

1.7 Fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets are included where the cost exceeds £1,000.

Depreciation is provided at 20% or 25% (depending on the nature of the asset) in order to write off the cost of fixed assets over their useful lives on a straight line basis. A full year of depreciation is taken in the year of acquisition.

Depreciation is recognised in the statement of financial activities as part of expenditure and is allocated across the expenditure headings on the same basis as support costs.

1.8 Stock

Stock of merchandise is included in the accounts at the lower of cost and net realisable value.

1.9 Pensions

All staff employed by the Fairtrade Foundation are eligible for membership of a defined contribution group personal pension plan.

The scheme is contributory (the Foundation pays up to 10% of salary depending on the level of the staff member's contribution). Pension contributions are charged to the Statement of Financial Activities in the period to which they relate. Further details are provided in Note 24.

1.10 Redundancy/termination payments

Redundancy and termination payments are accounted for in the period in which they are agreed.

1.11 Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

1.12 Value Added Tax

The charity is registered for VAT. In common with many other registered charities, the Fairtrade Foundation is unable to fully recover input VAT. During the accounting period, the total irrecoverable VAT suffered by the charity was £56,000 (2016: £45,000).

This irrecoverable VAT is included in the appropriate categories of expenditure within the Statement of Financial Activities.

1.13 Taxation

The Fairtrade Foundation is a registered charity and, as such, is exempt from taxation on its income to the extent it is applied to its charitable purposes.

1.14 Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken to the Statement of Financial Activities and recorded as a support cost.

1.15 Provisions

Provisions are recognised when the charity has a present legal or constructive obligation arising as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

1.16 Financial instruments

Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors.

A specific provision is made for debts for which recoverability is in doubt.

Cash at bank and in hand is defined as all cash held in instant access bank accounts and used as working capital.

Financial liabilities held at amortised cost comprise all creditors except social security and other taxes and provisions.

Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year end exchange rate.

2 Donations and legacies

	Unrestricted	Restricted	2017	2016
	£000	£000	Total	Total
			£000	£000
Triodos Bank Fairtrade Saver Account	6	-	6	7
Other donations	81	27	108	110
Total donations	87	27	114	117

The Triodos Bank income is generated through the promotion of their Fairtrade Saver Account to individual savers. Triodos Bank donates the equivalent of 0.25% of the average balance of funds held in the year and the individual savers also have the opportunity to donate a portion or all of the interest earned on the account to the Foundation.

3 Donated goods and services

The charity benefited from donated legal services from Herbert Smith Freehills, Latham & Watkins, Stobbs (IP) Limited and Bird & Bird LLP. They are valued in the accounts at £nil (2016: £nil).

Additional resources were provided by 52 general unpaid volunteers who contributed a total of 4,649 hours of work in the year, and five seconded staff who were with us for up to six months each. Volunteers provided administrative support, policy, advocacy, marketing and campaigning support. These contributions are highly valued by the charity but, in line with the Charities SORP, are not recognised in the accounts due to difficulties in measuring their value.

4 Grants

	Unrestricted £000	Restricted £000	2017 Total £000	2016 Total £000
Other grants				
Comic Relief				
Gold I.M.P.A.C.T Programme	-	143	143	356
Department for International Development				
Responsible, Accountable and Transparent				
Enterprise (RATE) Programme	-	150	150	-
Programme Partnership Agreement (PPA)	-	-	-	750
European Commission				
EC Vote4FairTrade	-	286	286	-
Big Lottery Fund				
Women in Coffee	-	157	157	96
Esmée Fairbairn Foundation	-	67	67	67
Charities Aid Foundation	-	-	-	50
Jersey Overseas Aid Commission				
Sugar	-	72	72	127
Coffee	-	77	77	69
RVO				
Addressing Child Labour in ASM gold mines	-	23	23	-
Traid				
Cotton Breeding Programme	-	30	30	-
Total grants	-	1,005	1,005	1,515

5 Other income

	Unrestricted £000	Restricted £000	2017 Total £000	2016 Total £000
Cross-border sales administration fees	228	-	228	28
Consultancy fees	79	-	79	180
Programmes funded by commercial partners	-	416	416	-
Other fees and royalties	108	-	108	119
Total other income from charitable activities	415	416	831	327

Cross border sales administration fees: the Foundation invoices UK licensees for licence fees due on UK and non-UK sales. National Fairtrade organisations outside the UK invoice the Foundation for the licence fee on non-UK sales less an administration fee.

6 Expenditure

	Direct staff costs £000	Other direct costs £000	Support costs £000	2017 Total £000	2016 Total £000
Raising funds	231	51	165	447	390
Charitable activities:					
Make Fairtrade Personal	1,294	787	926	3,007	4,043
Improve and Innovate	1,521	699	1,089	3,309	3,618
Focus on Impact	722	3,552	516	4,790	4,020
Total charitable activities	3,537	5,038	2,531	11,106	11,681
Total expenditure in 2017	3,768	5,089	2,696	11,553	12,071
Total expenditure in 2016	4,224	5,351	2,496	12,071	

Other direct costs and support costs include payments made to Fairtrade International eV, FLOCERT GmbH and other National Fairtrade Organisations around the world. Membership contributions of £2.0 million (2016: £1.8 million) support Fairtrade International's functions in setting the international framework and co-ordination of Fairtrade including the setting and development of Fairtrade standards, supporting producers and traders to match supply and demand, and supporting smallholders and workers participating in Fairtrade.

Certification fees of £231,000 (2016: £245,000) are payable to FLOCERT, an independent certification company offering Fairtrade certification services.

Producer network contributions of £825,000 (2016: £586,000) are distributed to producer networks by Fairtrade International. Contributions of £384,000 (2016: £361,000) were made to the system-wide project fund to fund projects with a global benefit.

Other National Fairtrade Organisations invoice their non-UK licensees for licence fees due on UK and non-UK sales, and the Foundation invoices the National Fairtrade organisations for the licence fees on UK sales less administration fees of £44,000 (2015: £28,000).

Support costs of £2.7 million (2016: £2.5 million) have been allocated across activities. Support costs have been apportioned based on the staffing costs of each activity in order to reflect the demands each activity makes on central support resources.

The breakdown of support costs by activity is shown below:

	2017 £000	2016 £000
Human resources	349	425
Finance	561	412
Information technology	413	475
Management and administration	273	318
Governance	79	83
Facilities	1021	783
Total support costs	2,696	2,496

7 Grants payable to institutions

	SOFA heading	2017 £000	2016 £000
Fairtrade Ireland	Make Fairtrade Personal	26	37
Fairtrade Africa and other African partners	Focus on Impact	548	412
Network of Asia & Pacific Producers	Focus on Impact	21	-
CLAC	Focus on Impact	24	-
FLOCERT	Improve and Innovate	95	-
Other grants to institutions	Focus on Impact	-	106
Total grants payable		714	555

Where we make grants to other organisations a Memorandum of Understanding or a grant agreement is put in place which sets out the purpose of the grant and the responsibilities of all relevant parties.

The grant to Fairtrade Ireland is to support them to develop the Irish market for Fairtrade products.

The grants to Fairtrade Africa and other Africa partners are in relation to extending Fairtrade Gold to East Africa, growing women in coffee and supporting Fairtrade sugar.

The grant to Network of Asia & Pacific Producers is in relation to the Cotton Breeding Programme.

The grant to the CLAC was in relation to the Haiti Disaster Appeal.

The grant to FLOCERT was in relation to a supply chain information project funded by DFID.

See Note 17 for further details.

Support costs of £130k (2016: £78k) have been allocated to grant making activities.

8 Governance costs

Activities to enable the Fairtrade Foundation to function as a registered charity and a company registered in England and Wales include:

	2017 £000	2016 £000
Trustee expenses	6	3
Fees payable to charity's auditors for the audit of the charity's annual accounts	17	17
Other governance costs	22	16
Staff costs	33	48
Total costs	78	84

No remuneration was paid to Trustees in the year (2016: nil).

Trustee expenses relate to travel expenses reimbursed for attendance at Board and subcommittee meetings, other meetings at the Foundation and external events to represent the Foundation. £6,000 (2016: £3,000) was reimbursed to 6 trustees (2016: 3 trustees). The Foundation meets the airfare, hotel and subsistence costs of the producer representatives while they are in the UK attending Board meetings.

9 Net income / (expenditure)

Net income / (expenditure) is stated after charging:

	2017 £000	2016 £000
Depreciation of fixed assets	183	183
Fees payable to charity's auditors for the audit of the annual accounts for the current year	17	17
Fees payable to charity's auditors for other accountancy services	5	2
Operating lease rentals and service charge: land and buildings	656	694

10 Staff costs

	2017 £000	2016 £000
Wages and salaries	3,535	4,280
Employer's National Insurance costs	363	424
Employer's contribution to defined contribution pension schemes	311	382
Agency staff	121	85
Staff costs	4,330	5,171
Staff recruitment costs	60	47

Number of employees whose emoluments, excluding employer pension costs, fell within the band:

	2017	2016
£60,000 - £69,999	-	3
£70,000 - £79,999	1	-
£80,000 - £89,999	1	1
£90,000 - £99,999	1	1

The Foundation's highest salary was 3.9 times the lowest salary during 2017, in line with our policy to ensure the highest salary is no more than 5 times the lowest salary.

Contributions in the year for the provision of defined contribution pension schemes to higher paid staff were £24k (2016: £29k).

The senior management team comprised the Chief Executive, the Chief Financial Officer, the Director of Public Engagement, the Commercial Director and the Director of Impact. The total employee benefits of key management personnel of the charity were £460k (2016: £626k). During 2017 the role of Chief Financial Officer was recruited and replaced the roles of Chief Operating Officer and Director of Finance and IT which were removed in 2016.

Average headcount in 2017 was 104 (2016: 118).

Redundancy/termination payments agreed and paid in the year came to £215,000 (2016: £39,000).

11 Intangible fixed assets

	Software and website £000
Cost at 1 January 2017	861
Additions	36
Disposals	-
At 31 December 2017	897
Amortisation at 1 January 2017	509
Charge for period	178
Disposals	-
At 31 December 2017	687
Net book value at 1 January 2017	352
Net book value at 31 December 2017	210

12 Tangible fixed assets

	Office equipment £000	Fixtures and fittings £000	Total £000
Cost at 1 January 2017	136	242	378
Additions	-	-	-
Disposals	(50)	-	(50)
At 31 December 2017	86	242	328
Depreciation at 1 January 2017	130	240	370
Charge for period	3	2	5
Disposals	(50)	-	(50)
At 31 December 2017	83	242	325
Net book value at 1 January 2017	6	2	8
Net book value at 31 December 2017	3	-	3

13 Debtors and accrued income

	2017 £000	2016 £000
Licence fee debtors	2,443	1,423
Accrued licence fee	1,980	1,884
Amounts due from Fairtrade International and other Fairtrade organisations	222	253
Other debtors	447	22
Prepayments and accrued income	348	313
Total debtors due within one year	5,440	3,895

14 Creditors

	2017	2016
Creditors: amounts falling due within one year	£000	£000
Trade creditors	125	247
Amounts due to Fairtrade International and other Fairtrade organisations	1,391	670
Amount held as agent for system-wide projects	572	169
Social security and other taxes	806	265
Other creditors	-	-
Accruals for grants payable	26	37
Other accruals	669	459
Total creditors due within one year	3,589	1,847

During 2015 the Foundation started acting as an agent for other National Fairtrade Organisations by holding funds for use on system-wide projects on their behalf. The balance held at 31 December 2017 was £572k (2016: £169k).

Accruals for grants payable are included at the amount stated in the grant agreement with the recipient and are expected to be paid in 2018 when a satisfactory report has been received from the grantee.

	2017	2016
Creditors: amounts falling due after one year	£000	£000
Accruals	-	27
Total creditors due after one year	-	27

15 Provision for liabilities and charges

	Provision at 1 Jan 2017 £000	Charged to SOFA to SOFA £000	Provision released £000	Provision at 31 Dec 2017 £000
Dilapidations	115	269	-	384
Total provision	115	269	-	384

The provision relates to the office lease dilapidations clause. The lease ends in 2018 and so any payments under the provision are expected to be incurred in 2018.

16 Financial instruments

	2017	2016
	£000	£000
Financial assets measured at amortised cost	8,393	5,150
Financial liabilities measured at amortised cost	3,039	1,581

17 Fund movements

	Funds at 1 January 2017 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2017 £000
Restricted funds					
Focus on Impact					
Gold I.M.P.A.C.T Programme	185	143	(181)	-	147
Swaziland sugar project	63	72	(123)	-	12
Bolivia coffee project	-	77	(24)	-	53
Producer support	4	-	-	-	4
Growing women in coffee	(3)	160	(148)	-	9
Haiti disaster relief appeal	5	24	(29)	-	-
Cotton Breeding Programme	-	30	(21)	-	9
Strengthening Sugar Farmers in Southern Africa	-	224	-	-	224
Commercial partners sponsored programmes	-	141	(140)	-	1
Addressing child labour in ASM gold mines	-	23	-	-	23
Total	254	894	(666)	-	482
Improve and Innovate					
Responsible, Accountable and Transparent Enterprise (RATE) Programme	-	150	(150)	-	-
Climate change and organisational strengthening scoping project	-	52	(52)	-	-
Total	-	202	(202)	-	-
Make Fairtrade Personal					
EC Trade Fair, Live Fair	-	286	(64)	-	222
Advocacy	50	-	(50)	-	-
Esmée Fairbairn Foundation	35	66	(49)	-	52
Total	85	352	(163)	-	274
Total restricted funds	339	1,448	(1,031)	-	756
Unrestricted funds	3,498	10,913	(10,522)	-	3,889
Total funds	3,837	12,361	(11,553)	-	4,645

Description of funds

Restricted funds

Gold IMPACT Programme

Fairtrade's I.M.P.A.C.T Programme (Investment in Miners Potential through access to Capital and Transparent Markets) started in 2016 and is funded by Comic Relief. This programme built on the success of the 'Extending Fairtrade Gold to East Africa' Programme and seeks to support small-scale mining sites to access finance to invest in clean mining equipment and, additionally, to access export markets on improved terms of trade. The programme will last for four years and reach communities in Kenya, Uganda and Tanzania.

Swaziland sugar project

This is funding provided by the Jersey Overseas Aid Commission to build markets and climate resilience for sugar farmers in Swaziland.

Bolivia coffee project

This funding provided by the Jersey Overseas Aid Commission is aimed at building better farming practices and beating coffee diseases with Bolivian coffee farmers. The objective is to carry out an urgent programme of technical assistance to reverse a 60-80 percent decline in the yield of coffee cherry, not through a one-off intervention but by providing the co-operative with the skills and resources they need to achieve economic and environmental self-sufficiency in the face of severe challenges.

Producer support

We supported a range of small-scale projects in partnership with pioneer businesses to roll out innovations which deepen impact for farmers and their communities.

Growing women in coffee

The Women in Coffee project is working with small producer organisations in West Kenya, supporting women into income earning roles and developing a market for their coffee. The project has seen women benefit from the construction of additional biogas technology with the support of funding from the Jersey Overseas Aid Commission, while assistance from the Big Lottery Fund continued to support women towards developing an independent coffee brand for sale in to local and international markets.

Haiti disaster relief appeal

In the latter half of 2016, Hurricane Matthew brought devastation to hundreds of small-holder coffee, cocoa and mango farmers in Haiti, wiping out their homesteads and crops after years of drought. In response, Fairtrade Foundation ran an appeal to support farmers both to take care of their immediate needs and to re-invest in their livelihoods to help farmers return safely to work as soon as possible.

Cotton breeding programme

This funding is provided by TRAIID for a breeding programme for non-GM cotton seeds for 1,500 farmers in Vasudha co-operative.

Strengthening sugar farmers in Southern Africa

This project in Southern Africa aims to build resilience and deepen impact for Fairtrade sugar cane farmers, co-operatives and their communities.

Commercial partner programmes

The programmes run with commercial partners includes Co-op's Women's school of leadership programme, UCC Food security & gender empowerment programme, Mondelez' climate change and organisational strengthening scoping project, TWIN and Bewley's EATFAIR programme and the Waitrose Java coffee project.

Addressing child labour in ASM gold mines

This project is funded by the RVO and aims to address child labour in ASM gold mines through an integrated socio-economic approach focusing on the mine, community and supply chain level aims to affect change at these three levels by establishing an enabling environment for child labour-free mining through a change in mindset and attitudes towards child labour. It improved education opportunities as well as the prospect of improved economic conditions at mine level.

Responsible, Accountable and Transparent Enterprise (RATE) Programme

This grant from DFID funds the development of a supply chain mapping digital platform to drive positive social impact for farmer & worker communities through responsible business and consumer behaviour.

EC Trade Fair, Live Fair

This project aims to raise awareness and mobilise the European public to advance consumption patterns that nurture the sustainable development goals (SDGs). It is a joint project between Fair Trade and Ethical Fashion movements across Europe to join forces in order to foster more resilient livelihoods for the producers and workers behind many of the products that European citizens consume.

Advocacy

This is a project that aims to engage with policymakers and raise public awareness on trade policy in the UK that affects agriculture and the development agenda.

Esmée Fairbairn Foundation

In 2015 Fairtrade Foundation commenced a 3-year project funding partnership with Esmée Fairbairn. The supported work deals with the extension of the mandate of the Groceries Code Adjudicator to help prevent Unfair Trading Practices from persisting in the UK and EU trade context. Also supported is work to influence the Competition and Markets Authority to increase recognition of ethical considerations as part of the definition of consumer interest. Additional to this support for advocacy and policy work, Esmée Fairbairn has agreed to support Fairtrade Foundation's campaigning efforts, namely the producer tour, which brings four Fairtrade farmers on a tour of the UK's vibrant supporter communities.

Below is the prior year comparison of the fund movements in 2016

	Funds at 1 January 2016 £000	Income £000	Expenditure £000	Transfers between funds £000	Funds at 31 December 2016 £000
Restricted funds					
Focus on Impact					
Gold I.M.P.A.C.T Programme	-	356	(171)	-	185
Extending Fairtrade gold to East Africa	18	-	(18)	-	-
Swaziland sugar project	-	127	(64)	-	63
Coffee biogas project	-	69	(69)	-	-
Producer support	28	6	(30)	-	4
Growing women in coffee	36	97	(136)	-	(3)
Banana impact research	1	-	(1)	-	-
Haiti disaster relief appeal	-	5	-	-	5
Project Election	13	-	(13)	-	-
Value chain study	33	-	(33)	-	-
Total	129	660	(535)	-	254
Make Fairtrade Personal					
Brand architecture	-	71	(71)	-	-
Advocacy	-	50	-	-	50
Ferguson Charitable Trust	28	-	(28)	-	-
Esmée Fairbairn Charitable Trust	46	67	(78)	-	35
Total	74	188	(177)	-	85
Total restricted funds	203	848	(712)	-	339
Unrestricted funds					
Designated funds					
Investment fund	1,193	-	-	(1,193)	-
Fixed asset fund	361	-	-	(361)	-
Total designated funds	1,554	-	-	(1,554)	-
General funds	2,396	10,907	(11,359)	1,554	3,498
Total unrestricted funds	3,950	10,907	(11,359)	-	3,498
Total funds	4,153	11,755	(12,071)	-	3,837

18 Analysis of fund balances held as at 31 December 2017

	General £000	Restricted £000	Total £000
Intangible fixed assets	210	-	210
Tangible fixed assets	3	-	3
Current assets	7,907	756	8,663
Current liabilities	(3,847)	-	(3,847)
Long term liabilities	-	-	-
Provisions	(384)	-	(387)
Fund balance at 31 December	3,889	756	4,645

A comparative of the analysis of fund balances held as at 31 December 2016 is as follows:

	General £000	Restricted £000	Total £000
Intangible fixed assets	352	-	352
Tangible fixed assets	8	-	8
Current assets	5,134	339	5,473
Current liabilities	(1,854)	-	(1,854)
Long term liabilities	(27)	-	(27)
Provisions	(115)	-	(115)
Fund balance at 31 December	3,498	339	3,837

19 Breakdown of 2016 statement of financial activities into restricted and unrestricted

	2016 Unrestricted £ 000	2016 Restricted £ 000	2016 Total £ 000
Income			
Donations and legacies	105	12	117
Grants	750	765	1,515
Investment income	2	-	2
Charitable activities			
Licence fees	9,764	-	9,764
Sale of awareness-raising items	30	-	30
Other	256	71	327
Total income	10,907	848	11,755
Expenditure			
Raising funds	390	-	390
Charitable activities			
Focus on impact	3,486	534	4,020
Improve and innovate	3,618	-	3,618
Make Fairtrade personal	3,865	178	4,043
Total charitable activities	10,969	712	11,681
Total expenditure	11,359	712	12,071
Net income/(expenditure), being net movement in funds	(452)	136	(316)
Reconciliation of funds:			
Fund balances brought forward	3,950	203	4,153
Fund balances carried forward	3,498	339	3,837

20 Notes to the cash flow statement

Reconciliation of net income/(expenditure) to operating cash flow		
	2017	2016
	£000	£000
Net income / (expenditure)	808	(316)
Depreciation charge	183	183
Decrease in stock	12	12
Increase in debtors	(1,545)	(171)
Increase / (decrease) in creditors excluding short term borrowings	1,715	(153)
Increase in provisions	269	-
Net cash inflow from operating activities	1,442	(445)

Analysis of net funds

	Balance at 1 Jan 2017	Cash flow movement	Balance at 31 Dec 2017
	£	£	£
Cash at bank and in hand	1,547	1,406	2,953
Net funds	1,547	1,406	2,953

21 Financial commitments under operating leases

At 31 December the charity had total commitments under operating leases as follows:

	2017	2016
	£000	£000
Land and buildings		
Due within 1 year	256	511
Total due in years 2 to 5	-	256
Office equipment		
Due within 1 year	14	14
Total due in years 2 to 5	16	30
Total	286	811

Lease payments recognised as an expense were £511k (2016: £511k). They are included in support costs.

22 Share capital

The Fairtrade Foundation is a company limited by guarantee and with no share capital. Each of the 16 members is liable to contribute a sum not exceeding £1 in the event of the company being wound up.

23 Related parties

The Fairtrade Foundation is one of the 21 National Fairtrade Organisations that are members of Fairtrade International (formerly Fairtrade Labelling Organisation International eV), the umbrella organisation based in Germany that is responsible for the international standards that underpin Fairtrade.

FLOCERT GmbH is the independent body for certifying adherence to the standards by producers.

As a National Fairtrade Organisation, the Fairtrade Foundation pays membership fees to Fairtrade International and FLOCERT and also sources external funds for Fairtrade International's work from third party donors. Details of the fees paid to Fairtrade International and FLOCERT are given in Note 6. In addition, income of £6,000 was received from Fairtrade International (2016: £90,000) for services provided by the Foundation. £17,000 was received from FLOCERT (2016: £34,000) and £120,000 paid to FLOCERT (2016: £4,000) for additional services provided to or on behalf of the Foundation. At the year-end a net balance of £944,000 (2016: £201,000) was due to Fairtrade International and £29,000 (2016: £2,000) was due to FLOCERT.

The Foundation purchased £nil (2016: £1,000) of food supplies directly from the licensee Traidcraft PLC, the parent company of Traidcraft Exchange, for use in the office and to support a Foundation staff initiative to operate a regular Fairtrade products stall within the Foundation's office. Traidcraft Exchange is a charity of Traidcraft plc, a licensee company which pays licence fees to the Fairtrade Foundation on the sales of Fairtrade marked products.

Arun Ambatipudi is a representative of the Network of Asia and Pacific Producers (NAPP), and was a trustee of the Foundation during the year.

Brenda Achieng is a representative of Fairtrade Africa (FTA) and is a trustee on the Foundation's Board.

During 2017 the Foundation acted as agent in relation to funds which are held collectively by all National Fairtrade Organisations (NFOs) in order to fund projects which will benefit all Fairtrade organisations. The Foundation received £1.4 million in contributions from other NFOs and paid out £758,000. The balance at 31 December 2017 was £572k.

24 Pension funds – defined contribution scheme

The Foundation contributes towards a defined contribution scheme. The cost of this scheme is charged to the Statement of Financial Activities and amounted to £311,000 (2016: £382,000). It did not give rise to any provisions/reserves.

Employer pension contributions are allocated between activities and restricted and unrestricted funds based on a review of the role of each employee.

FAIRTRADE FOUNDATION REFERENCE AND ADMINISTRATIVE INFORMATION

Legal status

A company without share capital limited by guarantee, registered in the United Kingdom, number 2733136.

Registered address and principal office

3rd Floor, Ibex House,
42-47 Minories
London, EC3N 1DY

Registered charity number

1043886

Directors/Trustees

Alison Marshall ⁴	Appointed September 2016
Arun Ambatipudi	Stood down September 2017
Barnaby Tallack ³	Appointed January 2013
Bob Doherty	Appointed August 2017
Brenda Achieng ⁵	Appointed June 2016
Didier Dallemagne ^{2,3,5}	Appointed October 2014
Elizabeth Sideris ³	Appointed October 2014
Jane Frost (Vice Chair) ⁴	Appointed June 2014
Michael Jary (Chair) ^{1,3,4,5}	Appointed August 2013
Paul Farthing ¹	Appointed October 2014
Paul Thompson (Treasurer) ¹	Appointed June 2014
Rebecca Rowland ^{1,5}	Appointed January 2013

Independent committee members

Alison Henderson¹
Hannah Turner²
Karen Hetherington²
Melissa Duncan⁵
Simon Wright^{2,5}

¹ Member of Finance and Audit Committee

² Member of Certification and Assurance Oversight Committee

³ Member of Remuneration Committee

⁴ Member of Nominations Committee

⁵ Member of Partnerships Committee

Senior Management

Michael Gidney	Chief Executive
Fiona Kindness	Chief Financial Officer – joined July 2017
Louisa Cox	Director of Impact – on maternity leave from September 2017
Lauren Pett	Director of Impact – joined September 2017, left April 2018
Cheryl McGeachie	Director of Public Engagement
Jonathan Dees	Interim Director of Finance and IT – joined July 2016, left January 2017
Rohan Hewavisenti	Interim Chief Finance Officer – joined January 2017, left June 2017
Euan Venters	Commercial Director

Company secretary

Michael Gidney

Member organisations

All We Can
Banana Link
CAFOD*
Christian Aid*
Global Justice Now*
National Campaigner Committee
National Federation of Women's Institutes*
Nicaragua Solidarity Campaign
Oxfam*
People & Planet
SCIAF
Shared Interest Foundation
Soroptimist International Great Britain & Ireland
Tearfund
Traidcraft Exchange*
United Reformed Church
(*Founder members)

Bankers

CAF Bank Ltd Kings Hill West Malling Kent ME19 4TA	HSBC 31 Holborn Circus London EC1N 2HR
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Solicitors

Bates, Wells and Braithwaite 2-6 Cannon Street London EC4M 6YH	A4ID The Broadgate Tower 20 Primrose Street London EC2A 2RS
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Auditor

Crowe Clark Whitehill LLP
St. Bride's House
10 Salisbury Square
London
EC4Y 8EH

fairtrade.org.uk

**Fairtrade Foundation, 3rd Floor, Ibex House, 42-47 Minories,
London, EC3N 1DY**

Tel: +44 (0) 20 7405 5942 Email: mail@fairtrade.org.uk

Registered Charity No. 1043886

A company limited by guarantee, registered in England and Wales No. 2733136

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Eduardo Martino, Scott Grummett, Andy Wilson, Anette Kay



**FAIRTRADE
FOUNDATION**